

RECORDATION NO. 2196-3 FILED

LAW OFFICES

REA, CROSS & AUCHINCLOSS

SUITE 570

1707 L STREET, N.W.

WASHINGTON, D. C. 20036

(202) 785-3700

FACSIMILE: (202) 659-4934

DONALD E. CROSS (1923-1986)

THOMAS M. AUCHINCLOSS, JR.
LEO C. FRANEY
JOHN D. HEFFNER
KEITH G. O'BRIEN
BRYCE REA, JR.
BRIAN L. TROLANO
ROBERT A. WIMBISH

JAN 14 '99

2-55PM

BY HAND

January 14, 1999

Ms. Janice Fort
Equipment Recordation Office
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

RE: Lease Agreement on Railroad Locomotives
Canada Southern Railway Company, Incorporated - Lessor
Cascade Rail Corp, Incorporated
d/b/a Nobles Rock Railroad - Lessee

Dear Ms. Fort:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303 is the following document:

An original copy of a Lease Agreement dated January 4th, 1999 -- a primary document as defined in the Board's Rules for Recordation of Documents under 49 CFR § 1177. The names and addresses of the parties to this Lease Agreement are:

Lessor: Canada Southern Railroad Company
916 Vine Street
Connersville, IN 47331

Lessee: Cascade Rail Corp., d/b/a Nobles Rock
Railroad
Suite 109
529 S. Jefferson Street
Green Bay, WI 54301

A full description of the railroad equipment covered by this Lease Agreement is as follows:.

Two GP-9 class locomotives (as described and identified in Appendix A of the Lease Agreement).

Counterpart - Robert G. Wimbish

Ms. Janice Fort
January 14, 1999
Page Two

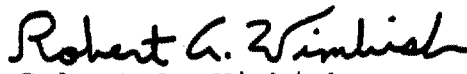
A short summary of the enclosed document to appear in the Board's index is:

Lease Agreement dated January 4, 1999, between Canada Southern Railway Company, Incorporated (Lessor) and Cascade Rail Corp, Incorporated, d/b/a Nobles Rock Railroad (Lessee) covering two GP-9 class locomotives.

A recordation fee of \$26.00 is enclosed.

Please let me know if you need anything else.

Sincerely Yours,


Robert A. Wimbish

Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

OFFICE OF THE SECRETARY

Robert A. Wimbush
Rea, Cross & Auchincloss
1707 L St., NW., Ste. 570
Washington, DC., 20036

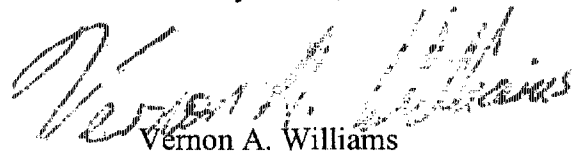
Dear Sir:

The enclosed documents (s) was recorded pursuant to the provisions of 49 U.S.C.

11301 and CFR 1177.3 (c), on 1/14/99 at 2:55PM, and

assigned recordation numbers (s): 21963 and 21963-A.

Sincerely Yours,

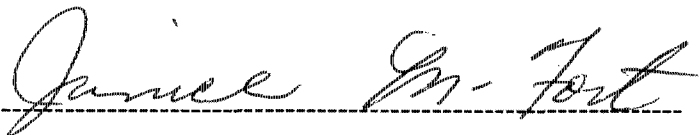

Vernon A. Williams

Enclosure(s)

52.00

\$_____ The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid. In the event of an error or any questions concerning this fee, you will receive a notification after the Surface Transportation Board has an opportunity to examine your document.

Signature_____



JAN 14 '99

2-55PM

Number: 8E05

LOCOMOTIVE LEASE AGREEMENT

THIS AGREEMENT, made this 4th day of January, 1999 between Canada Southern Railway Company, Incorporated (CASO) an Indiana corporation, and Cascade Rail Corp, Incorporated, a Nevada corporation, operating as Nobles Rock Railroad (jointly Lessee) Witness that,

In consideration of the mutual agreement and covenants contained herein the parties agree to be bound as follows:

Terms and Conditions

1. Lease of Locomotive

Lessee agrees to lease from CASO two locomotive units (Units) bearing numbers 5913 and 77, more particularly described on Appendix A which is hereby made a part of this Agreement. Lessee applies to lease the Units for commercial purposes only and agrees that this lease is not a consumer contract.

2. Location

Lessee acknowledges that the Units are presently located on J&M Locomotive shop in Cleveland, Ohio where certain repair work is to be performed as outlined in Exhibit B which is hereby made a part of this Agreement. Upon completion of the repair work, the Units are to be moved to Nobles Rock Railroad at Lessee's expense. It shall be the Lessee's responsibility to make sure the Units are properly transported and that adequate insurance (not less than that required elsewhere herein) is carried covering such movement. Any damages to the Units while in transit shall be the sole responsibility of the Lessee.

3. Reasonable Care

Lessee shall use the Units in a careful and proper manner, complying with all applicable laws, ordinances, or regulations pertaining to the possession, use or maintenance of the Units. Lessee shall require that the Units be operated only by competent and qualified employees, and shall insure that the Units are not subjected to careless or needless rough usage.

4. Identification

Lessee shall provide for the registration and licensing of the Units wherever or whenever required. If at any time CASO supplies Lessee with labels, plates, or other markings indicating CASO's ownership of the Unit, Lessee shall affix and keep same in a prominent place on the Units. Lessee shall not cover up any marks of identification of ownership, including the Units number, displayed on the Units.

5. Ownership

Ownership and title to the Units shall at all times remain in CASO's name unless transferred to Lessee by sale and Lessee shall have only the right to retain possession of the Units pursuant to the terms and conditions of this Agreement. Lessee shall provide CASO with immediate notice of any claim, levy, lien, or legal process issued against the Units. Lessee shall assist CASO by executing and delivering to CASO any such instruments and assurances that CASO deems necessary for the confirmation or perfection of CASO's ownership interest in the Units.

6. Alterations

Lessee is hereby given the right to make alterations, additions and improvement to the Units, provided that no alterations shall in any way reduce the value of the Units. Any such alterations, additions and improvements shall immediately become a part of the Units and ownership shall rest with CASO.

7. Maintenance and Repair

Lessee agrees to keep the Units in good repair and operating condition, allowing for reasonable wear and tear. Lessee agrees to pay all expenses of maintaining and repairing the Units, including labor, material, lubrication, parts and other similar expenses.

8. Inspection

CASO shall have the right, upon reasonable notice, to free access to inspect the Units and shall be afforded the necessary time for the purpose of such inspection. CASO shall make arrangement for such inspection so as to minimize any adverse impact upon Lessee's normal operations.

9. Casualty and Insurance

Lessee hereby assumes all risk of loss or damage to the Units from any cause. Destruction of, or damage to the Units shall not serve to relieve Lessee of any obligations under this Agreement and such obligations shall remain in full force and effect until otherwise discharged. Lessee agrees to insure the Units under an inland marine policy for the some of \$90,000.00 each and to name CASO as coinsured. Lessee agrees to provide CASO proof of such insurance as CASO may reasonably request. In the event of loss or damage to the Units, Lessee may elect to either:

(a) place the Units in good repair

(b) remit in full to CASO the outstanding balance and any other amounts owing under this Agreement.

10. Liability and Indemnity

Liability for the injury, disability, or death of any employee(s) or other person(s) caused by the operation, handling, or transportation of the Units during the term of this Agreement shall be assumed by Lessee and Lessee shall indemnify CASO against all such liability. Lessee shall maintain in effect a general liability policy with not less than \$2,000,000.00 of coverage and shall provide CASO with written proof of such coverage.

11. Taxes and Fees

Lessee shall pay all taxes, assessments, licenses, and registration fees on the Units during the term of this Agreement. Lessee shall furnish to CASO satisfactory proof of payment of such items and shall not permit such items to become delinquent.

12. Default

(a) Events of Default - An event of default shall be the occurrence of one or more of the following:

(i) Lessee shall fail to make any payment due under this Agreement in a timely manner. In the event of a missed or late payment, Lessee's failure to pay such amount in full within ten days written notice of same by CASO shall constitute default.

(ii) Lessee shall default in the performance of any obligation under this Agreement.

(iii) Lessee shall cease to do business as a going concern.

(iv) Lessee shall become insolvent (however defined) or make any arrangement for the benefit of creditors.

(v) Lessee commits, or fails to commit, any act that jeopardizes the rights of CASO.

(vi) Lessee attempts to sell, transfer, encumber, sublet, or part with possession of the Units or any interest therein.

(vii) Lessee fails to take possession of the Units.

(b) Remedies for Default - Upon an event of default, CASO may elect any of the following remedies as well as any other remedies available under law:

(i) All sums due under this Agreement shall become immediately payable in full.

(ii) CASO may terminate the Agreement, except that such termination shall not serve to limit the obligations of Lessee as incurred under the Agreement.

(iii) The Units shall be returned to CASO, at Lessee's expense, at such place as CASO may designate. CASO, without notice or legal process and without incurring any liability, may enter any premises under the control of Lessee where the Units may be or is believed to be located for the purpose of repossessing the Units or any part thereof. Lessee expressly waives all further right to possession of the Units and all claims for injuries suffered through or caused by such repossession.

(iv) CASO may enforce by legal proceedings specific performance of all terms and conditions of this Agreement as well as any other remedy available under law. Should CASO institute such legal proceedings to recover the Units or any amounts owing under this Agreement, Lessee shall pay all expenses incurred by CASO or on behalf of CASO relating to such legal proceedings.

(v) No remedy shall be exclusive of any other remedy provided herein or by law. A waiver by CASO of any event of default shall not constitute any other or subsequent waiver.

13. Term

The term of this agreement shall commence upon the date first above written and shall continue for a period of sixty-one consecutive months.

14. Monthly Rental

The monthly rental for the Units shall be Four Thousand Dollars (\$4000.00). The first monthly payment shall be due five days prior to the monthly anniversary of the execution of this Agreement, which shall become the Payment Date, with each subsequent monthly payment due by the Payment Date of the following month. This monthly rental shall continue for sixty consecutive monthly payments. A late fee of \$100.00 per payment may be assessed by CASO for any payment that is not made when due and Lessee agrees to pay such late fee. Assessment and payment of such a late fee shall not serve as a waiver of default under Section 12 of this Agreement.

15. Return of the Unit

Upon the expiration of the term of this Agreement or if terminated earlier by Lessee under item 13 herein, Lessee shall, at its expense, return the Units to CASO in good condition, except for normal wear and tear, at such location on any premises controlled by Lessee as CASO may reasonably direct. In addition, Lessee agrees to make available, at no expense to CASO, a suitable location to store the Units on Lessee's premises for a period of up to sixty days.

16. Purchase Option

Upon completion of the full sixty-one month term of this Agreement, and providing Lessee is not in default under this Agreement, Lessee may purchase the Units (one single unit or both units) for the sum of Thirty Five Thousand Dollars (\$35,000.00) for each separate Unit (\$70,000.00 for both Units). At closing on such purchase of the Unit(s), CASO shall provide Lessee good and marketable title to the Unit(s) free and clear of any liens and encumbrances.

16. Acceptance

CASO makes no warranties expressed or implied as to the condition or suitability of the Units. Lessee acknowledges that CASO has afforded Lessee the opportunity to examine and inspect the Units for the purpose of making any such determination.

17. Notice

Any notice required or permitted hereunder shall be delivered by the most expeditious reasonable means with prompt written confirmation via US Mail serving as the prescribed date of notice and delivered to the parties as follows:

President
Canada Southern Railroad Company
916 Vine St.
Connersville, IN 47331
phone (765) 825-0316
fax (765) 825-1237

President
Cascade Rail Corp
Suite 109
529 S. Jefferson St.
Green Bay, WI 54301
phone (920) 437-0197
fax (920) 437-0196

18. Other Provisions

- (a) Time - Time is of the essence of this Agreement.
- (b) Governing Law - This Agreement shall be construed and enforced under the law of the State of Indiana and any action or claim arising herein shall be brought exclusively in this venue.
- (c) Severability - If any provision of this Agreement or remedy provided for is found to be invalid under applicable law, such provision shall be deemed invalid and omitted. The remaining provisions, including any remedy for default, shall remain in effect.
- (d) Acknowledgement - Lessee acknowledges receipt of a signed, true and exact copy of this Agreement.
- (e) Assignment - Lessee shall not assign or transfer this Agreement without the written consent of CASO which shall not unreasonably be withheld. CASO may assign this Agreement to DVI Financial Services or others as CASO may deem appropriate. This Agreement shall be binding on all such successors or assigns of either party.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers or principals as identified below:

For CASO :

by: R Powell Felix
R. Powell Felix
President

Witness: Joan Felix

For Lessee:
Cascade Rail Corp

by: [Signature]
Title: President/CEO

Witness: Robert Bloodum

Nobles Rock Railroad

by: [Signature]
Title: President/CEO

Witness: Robert Bloodum

APPENDIX "A"

To Lease Agreement Number 8E05 between CASO and Cascade Rail Corp

Locomotive 5913

Electro-Motive Division GP-9 type
Former CWR 5913 (originally C&O 5913)
1750 horsepower roadswitcher
Frame Number 5345-2

Locomotive 77

Electro-Motive Division GP-9 type
Former CWR 77 (originally BAR 77)
1750 horsepower roadswitcher
Frame Number 5379-13

CASO Initials:

RPF

Lessee Initials:

~~RT~~

APPENDIX B

To lease Agreement Number 8E05 between CASO and Cascade Rail Corp

Work Scope #5913

Lower High Hood
Replace Four (4) Wheel Gear and Axle Assemblies
Replace One (1) B/O Radiator
92 Day Test
Apply New Pilot Plates
Clean and Ship
Run and Test

Work Scope #77

Apply Air Compressor and Drive Shaft
Apply New Wheels and Rebuilt Traction Motors
Lower Front Nose
Two-year Air Brake
Install New Batteries
Replace Missing Components
Replace Missing Wiring
Install FRA Glazing
92 Day Test
Run and Test
Install New Pilot Plates
Replace Missing Cooling Fan
Miscellaneous Minor Repairs

CASO Initials: RPF

Lessee Initials: ST

City of Washington)
) ss.
District of Columbia)

1. I am submitting for recordation with the Surface Transportation Board the attached copy of a "Locomotive Lease Agreement" dated as of January 4, 1999, by and between Canada Southern Railway Company, Inc. ("Lessor") and Cascade Rail Corp, Inc., d/b/a Nobles Rock Railroad ("Lessee").

Robert G. Zimlich
(Signature)

Subscribed and sworn to before me, a Notary Public, in
and for the City of Washington, District of Columbia, this 14th
day of January, 1999.

res: 3/3/2001

Mary P. Roberson
(Notary Public)

